

MINUTES OF THE MEETING
INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY

July 27, 2005

MEMBERS PRESENT: David Shane, Chairman; Ryan C. Kitchell, Vice Chairman; Kelly L. Borrer; Lance Rhodes; William Lister; and Kenneth D. Metzger

ALSO PRESENT: Brenda Horn, Ice Miller; John Pease, JP Morgan; Jim Ridenour, Crowe Chizek; Lynda Hanna, JP Morgan; Rich Harcourt, National City; Ann Forey, US Bank; Scott Fessler, US Bank; Randy Ruhl, City Securities; Nesity Shems, Piper Jaffray; Jeff Davis, Harrison County Hospital; John Kirkwood, Krieg DeVault; Julie Bulling, Krieg DeVault; Rachelle Lore, Amy Corsaro; and Dan Kramer.

The Chairman welcomed those in attendance, recognized the presence of a quorum and called the meeting to order at 11:00 a.m. on July 27, 2005, in Suite 900, One North Capitol, Indianapolis, Indiana, pursuant to notice thereof.

The Chairman asked for approval of the Minutes of the June 22, 2005, meeting of the Indiana Health and Educational Facility Financing Authority and the minutes of the June 22, 2005, Authority Board Orientation. Thereupon, upon motion made by Mr. Rhodes and seconded by Mr. Lister, it was unanimously:

RESOLVED, the Minutes of the June 22, 2005, meeting of the Indiana Health and Educational Facility Financing Authority and the minutes of the June 22, 2005, Authority Board Orientation be, and hereby are approved and ratified, and the Executive Director is instructed to execute same and to place same in the Minute Book as the Minutes of the June 22, 2005, Meeting of the Indiana Health and Educational Facility Financing Authority and the minutes of the June 22, 2005, Authority Board Orientation.

He then asked for the Executive Director's Report.

EXECUTIVE DIRECTOR'S REPORT

A copy of the Executive Director's Report is attached hereto as Exhibit A.

The Executive Director began his report by informing Members that the Marion General Hospital transaction closed on July 20 and the Anderson University transaction closed on July 15. The Parkview Health System Obligated Group was to close on July 28.

Mr. Lister then asked if the Anderson University transaction going over the \$1,300,000 approved amount by \$6,440 was something to be concerned about. Mr. Kramer answered that the reason for the difference may have been due to cost of issuance being paid from other sources yet included in the \$1,306,440, but that he would verify this and report back to the Authority.

As there were no further questions, the Executive Director continued his report by informing Members that included in their folders was a preliminary resolution and an application for the Harrison County Hospital in an amount not to exceed \$30,000,000. He introduced Mr. Rick Hall of Barnes and Thornburg, bond counsel, and Mr. Jeff Davis, CFO from Harrison County Hospital, to discuss the application.

Mr. Hall stated that the proceeds of the bond would be used to finance a replacement hospital, and as this is a preliminary approval, they would like to come back in August for the final approval. Mr. Hall then introduced Mr. Jeff Davis, the CFO of Harrison County Hospital, and noted that Mr. Nussy Shems of Piper Jaffray was also present.

Mr. Davis gave a brief history of the Harrison County Hospital focusing on the need for the replacement hospital. The current facility, located in Corydon, is out of date and in great need of expansion, but it is cost prohibitive to expand on the current site due to the surrounding residential development. Land has been acquired adjacent to I-64 for the 143,000 square foot facility. Community support is high for the project: the county government has proposed irrevocably \$12,000,000 out of riverboat gaming proceeds and the Harrison Community Foundation has irrevocably pledged \$5,000,000.

Mr. Rhodes then asked if the \$4,000,000 equipment purchase was factored into the requested \$30,000,000 to which Mr. Davis answered in the affirmative, adding that an additional \$3 or 4 million in equipment will be purchased with internal funds, both currently on hand and what will be generated over the next 24 months.

Mr. Shane then asked if one of the gentlemen could talk about the debt reserve fund. Mr. Davis stated that this deal will be a rated deal, backed by a letter of credit issued from Chase Bank, which has not asked for a debt service reserve fund. If it proceeds as planned there will not be a debt reserve fund. The covenant of the letter of credit does require that a certain amount of cash on hand is available.

Mr. Lister then requested that the gentlemen go over the amount of funding needed for the project; the total for the project is \$40,000,000, \$30,000,000 being requested and \$17,000,000 being pledged, he would like to know what the additional \$7,000,000 will be used for. Mr. Davis answered that all costs of construction, equipment, costs of issuance, and reimbursements total \$43,500,000. After the County's contribution of \$17,000,000, \$26,500,000 will be needed. The bank has given the hospital a letter of credit in the amount of \$30,000,000 but they do not intend to issue against the entire amount. It is mainly to be used as a budget cushion to protect against unforeseen expenses and potential increases in construction costs.

Mr. Metzger then asked how a 50 bed facility would compare to the existing facility. Mr. Davis responded that the facility will be approximately 50% larger in area, and the rooms will all be converted into private rooms though staying the same in number. Most of the space will be used for the outpatient facilities, which is where the majority of the revenue is generated.

Mr. Metzger then asked what the self-pay percentage is in the total area of the hospital's revenue. Mr. Davis responded that the true self-pay is running at about 8%, Medicare is 30% and Medicaid is 8%.

Mr. Shane then questioned what would be done with the extra money issued by the bond should the project not exceed the requested \$30,000,000 to which Mr. Hall responded that the bonds will not be issued until the final bids have all been received.

Thereupon, upon motion made by Mr. Kitchell and seconded by Ms. Borrer, it was unanimously:

RESOLVED, the Preliminary Resolution Authorizing the Issuance of the Indiana Health and Education Facility Financing Authority Hospital Revenue Bonds, Series 2005 (Harrison County Hospital Project), in the principal amount not to exceed \$30,000,000 and Approving and Authorizing other actions with respect thereto be and hereby is approved.

A copy of the Resolution is attached hereto as Exhibit B.

The Executive Director then continued with the next item on the agenda, the Authority's policy document that includes an ethics policy, an investment policy, and an unrated obligation policy. Included in the Board's packet was an "Unrated Tax Exempt Financing" study done by Crowe Chizek; Jim Ridenour from Crowe Chizek was in attendance to present the information.

Mr. Shane reminded the quorum that this is for discussion only, unless there is an objection. There were no objections.

Ms. Corsaro directed the attention of the Members to the revised ethics section of the policy document showing changes made since the last circulation of the document. Ms. Corsaro also pointed out that included with this draft is a copy of Executive Order 05-12 establishing ethical rules of conduct. There is an option to produce the Authority's own policy, which will need to be approved by the governor, or to adopt the State's Ethics Commission Policy. Mr. Shane then opened the item for questions.

Mr. Lister commented that he thought the Crowe Chizek report on Unrated Obligations was excellent and asked if Crowe's recommendations had been incorporated fully into the Authority's policy. The Executive Director responded affirmatively.

Mr. Lister then stated that he found interesting the articles authored by the Center for Studying Healthcare Change which concluded upward pressure on healthcare costs is present in the Indianapolis area due to continued hospital expansions. He continued by questioning how it is decided whether a health care facility is "necessary or helpful," as stated in Authority resolutions and the process by which this is determined. Ms. Borrer added to that question with concerns about where the Authority comes into play when dealing with possible competition between facilities.

Mr. Shane has requested that Ms. Corsaro do more research into this issue of the "necessary or helpful" language and the flexibility it allows or restrictions it places upon the Authority in their approval process

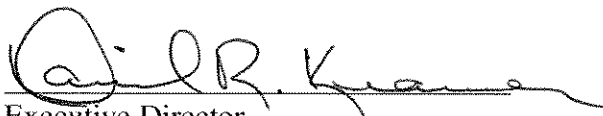
Mr. Ridenour then gave an overview of the "Unrated Tax Exempt Financing" Study. He mentioned that as the report was done in 2000, he and Mr. Kramer may at some point in the near future update this document as more unrated borrowers come before the Authority for approval.

The Executive Director then reminded the Members that the Fall National Council Conference is coming up in September in New Orleans and that the registration information is in their board packets. The Authority gave permission to the Executive Director to attend this conference.

The Executive Director concluded his report.

There being no further business, the meeting was adjourned.

Respectfully submitted,



A. R. Kramer

Executive Director